Canada's Nuclear Regulator

Canadian Nuclear Safety Commission Quarterly Financial Report For the quarter ended December 31, 2012

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Canadian Nuclear Safety Commission
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Canadian Nuclear Safety Commission Quarterly Financial Report
For the quarter ended December 31, 2012

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Canadian Nuclear Safety Commission
Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Program

Introduction

This quarterly report has been prepared by management, as required by section 65.1 of the *Financial Administration Act*, and in the form and manner prescribed by the Treasury Board Secretariat. This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates as well as *Canada's Economic Action Plan 2012* (Budget 2012).

The Canadian Nuclear Safety Commission (CNSC) is an independent regulatory agency and quasi-judicial administrative tribunal with jurisdiction over all nuclear-related activities and substances in Canada. Its responsibilities and authorities are to regulate the use of nuclear energy and materials, so that the health, safety and security of Canadians and the environment are protected, and to respect Canada's international commitments on the peaceful use of nuclear energy.

Further details on the CNSC's authority, mandate and program activities can be found in the *Reports on Plans and Priorities* and the *Main Estimates*.

Basis of presentation

Management has prepared this quarterly report by using an expenditure basis of accounting, as opposed to an accrual basis. The accompanying Statement of Authorities includes the CNSC's spending authorities granted by Parliament and those used by the CNSC consistent with the Main Estimates and Supplementary Estimates for the 2012–13 fiscal year. This quarterly report has been prepared as prescribed by the Treasury Board Secretariat to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits, through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the

Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The CNSC uses the full accrual method of accounting to prepare and present its annual audited financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Funding of operations

The CNSC is mainly funded from a revenue spending authority (RSA), allowing the cost recovery of activities through fees collected from industry. This budgetary statutory authority provides a sustainable and timely funding regime to address the rapid changes in regulatory oversight workload associated with the Canadian nuclear industry.

The CNSC is also funded through an annual appropriation from Parliament. Regulations state that some licensees, such as hospitals and universities, are exempt from paying fees as these entities exist for the public good. In addition, fees are not charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including the non-proliferation activities), public responsibilities such as emergency management and public information programs, and the updating of the *Nuclear Safety and Control Act* and associated regulations, as appropriate.

As such, the voted budgetary authorities include Vote 20 – program expenditures – while the budgetary statutory authorities are comprised of contributions to the employee benefit plans (EBP) and expenditures pursuant to paragraph 29.1(1) of the *Financial Administration Act* (which the CNSC refers to as the revenue spending authority – RSA).

This quarterly report has not been subject to an external audit or review.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Authorities analysis

As reflected in the following authorities table, the CNSC has seen an increase of $0.7 million in total authorities available compared to the same quarter of the prior year. The $0.7 million is the difference between a decrease of $1.5 million due to Vote 20 – program expenditures (including associated contributions to employee benefit plans) and a $2.2 million increase in revenue spending authority.

Authorities *(in thousands of dollars)*	2012–13	2011–12	Variance
Vote 20 – Program expenditures	**39,783**	**41,587**	**(1,804)**
Contributions to employee benefit plans (EBP)	**3,841**	**3,488**	**353**
Expenditures pursuant to paragraph 29.1(1) of the *Financial Administration Act*	**86,250**	**84,097**	**2,153**
Total budgetary expenditures	**129,874**	**129,172**	**702**

Vote 20 – Program expenditures

The total appropriation decreased by $1.5 million, or 3.2%, including contributions to employee benefit plans. The decrease in appropriation is mainly explained by the following significant events:

- transfer to Shared Services Canada to pool existing resources from across Government to consolidate and transfer IT infrastructure (i.e., data centres and network services) ($1.5 million)
- the final incremental reduction to the CNSC for the 2009 Strategic Review ($0.8 million)
- reduction of funding due to Budget 2012 implementation of savings measures in order to refocus Government and programs, make it easier for Canadians and business to deal with their Government, and modernize and reduce the back office ($0.5 million)
- additional funding approved through Budget 2012 for Public Works and Government Services Canada (PWGSC) accommodation costs associated with the renewal of the CNSC's fee-exempt and non-cost recoverable activities that was not earmarked in Budget 2011 ($0.9 million)
- increase in the CNSC's authority for contributions to employee benefits plans ($0.4 million)

Expenditures pursuant to paragraph 29.1(1) of the Financial Administration Act

The revenue spending authority has increased quarter over quarter. The increase in authority totalling $2.2 million (or 2.6%) is driven by increased efforts forecasted for special projects related to pre-licensing vendor design review for nuclear power plants.

Expenditure analysis

The total program expenditures have decreased quarter over quarter; comparing $28.6 million in the third quarter of 2012–13 to $30.2 million reported in the same period of 2011–12 shows a $1.6 million (or 5.5%) decrease in spending. Year-to-date program expenditures decreased by $1.6 million (or 1.9%) from 2011–12 to 2012–13, from $83.5 million to $81.9 million.

Budgetary expenditures by standard object

The statement of budgetary expenditures by standard object shows the overall spending of the CNSC has decreased quarter over quarter. The decrease from the third quarter of fiscal year 2011–12 to the same time period of fiscal year 2012–13 is mainly driven by overall funding reductions and efficiencies as a result of :

- the transfer of IT infrastructure, including 10 full-time equivalents, to Shared Services Canada
- savings found through productivity improvements and the evaluation of program relevance and effectiveness as a result of the implementation of the Deficit Reduction Action Plan outlined in Budget 2012

The decrease in expenditures is offset by increases in salary costs. The collective agreement ratification for management was completed in fiscal year 2011–12, removing the severance pay accumulation for voluntary departures (resignation and retirement). Severance has been paid out in accordance with the standard provisions of the core public service.

Risks and Uncertainties

The CNSC's Quarterly Financial Report reflects the results of the current fiscal period in relation to the *Main Estimates* and *Supplementary Estimates* for which Parliament has granted the authority.

The CNSC has identified the following internal and external risks that affect its objectives.

Regulatory activities

As a result of known industry factors, particularly the Quebec government's decision to shut down Hydro-Québec's Gentilly-2 nuclear power plant in December 2012, the CNSC is anticipating future contraction of operational activities affecting the CNSC's regulatory activities and future planned revenue projections.

Major project delays

In recent years, the CNSC developed and implemented an aggressive recruitment strategy, in anticipation of new major nuclear projects advancing in Canada. The CNSC adjusted its plans to respond to industry projections, including delays in the announcements of new nuclear power plants in Canada, as a result of the economic downturn. If such projects are further delayed or cancelled outright, cost recovery revenues could be significantly affected. The CNSC has initiated contingency plans to adapt to changes without compromising its capacity to meet its regulatory responsibilities.

Expenditure restraints

To restore fiscal balance, the Government has implemented a number of measures to improve efficiency while lowering the rate of growth in the size and operations of the public service. The CNSC is addressing reduced flexibility to its operating budget as a result of the expenditure restraint measures reported in Economic Action Plan 2012 ($0.5 million in 2012–13), the 2010 Strategic Review reported in Budget 2011 ($1.5 million in 2012–13) and the cost containment measures due to the freeze on operating budgets set out in Budget 2010. The CNSC is managing the implementation of these measures by reviewing its activities funded by parliamentary appropriation and identifying savings aimed at increased productivity and program efficiencies.

Unforeseen demands

An additional challenge that the CNSC faces is unforeseen demands (for example: the Fukushima nuclear accident in March 2011 and the public concerns over the transport of the steam generators through the Great Lakes that was the subject of significant and unplanned public hearings in 2011), which can draw on the CNSC's financial and human resources that are otherwise allocated to planned regulatory activities. While the CNSC responds by revising plans and reallocating resources, the CNSC will continue to work to maximize efficiency in these instances.

Significant Changes in Relation to Operations, Personnel and Programs

On August 4, 2011, Shared Services Canada was created by order in council under the *Public Service Rearrangement and Transfer of Duties Act* in order to pool existing resources from across Government to consolidate and transfer IT infrastructure (e.g., data centres and network services) for the Government of Canada. Pursuant to section 31.1 of the *Financial Administration Act* and *Order-in-Council P.C. 2011-1297* effective November 15, 2011 Shared Services Canada was deemed to have been appropriated. This resulted in a reduction in the CNSC's Vote 20 – program expenditures of $0.3 million in fiscal year 2011–12 and $1.5 million in fiscal year 2013–14 and future years.

As part of the Government's plan for Responsible Resource Development, which seeks to modernize the regulatory system for project reviews, the *Canadian Environmental Assessment Act* (S.C. 1992, c. 37) (CEA Act) was repealed when the *Canadian Environmental Assessment Act, 2012* (CEAA 2012) came into force on July 6, 2012.

The CEAA 2012 and its regulations establish the legislative basis for the federal environmental assessment process. The CNSC is solely responsible for conducting environmental assessments for nuclear projects described in the *Regulations Designating Physical Activities*. The Minister of the Environment may also designate a project not identified in the *Regulations Designating Physical Activities* if the project may cause adverse environmental effects or there are public concerns about such effects.

Under the new CEAA 2012, the CNSC will no longer conduct screening-type environmental assessments and review panels. Instead, the CNSC will focus on a standard environmental assessment for major economic projects that would have been considered comprehensive studies under the old CEA Act. The scope of factors to consider in the environmental assessment is relatively the same, with only the impact of the project on renewable resources being removed. Aside from the CNSC being the sole responsible authority for nuclear projects, the conduct of the environmental assessment is identical and still includes mandatory public participation. The exact public participation opportunities provided during the environmental assessment are also still at the discretion of the CNSC. Environmental assessments conducted in other provinces or jurisdictions will still be conducted in accordance with the federal–provincial/territorial environmental assessment cooperation agreements.

The CNSC continues to demonstrate that it responds to unexpected matters swiftly, effectively and with transparency, as shown by its actions following TEPCO's Fukushima Daiichi nuclear accident in Japan. Much effort focused on ensuring that the lessons learned from that accident further strengthened the safety of Canadian nuclear facilities.

The CNSC's main objectives have not changed. The CNSC still aims to regulate the use of nuclear energy and materials to protect the health, safety and security of Canadians

and the environment. However, spending and the use of existing resources must also be targeted. The CNSC has reviewed its work methods and looked at the work to be carried out in the future, and is adjusting its efforts to be as effective and efficient as possible.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that have been implemented in order to refocus Government and programs, make it easier for Canadians and business to deal with their Government, and modernize and reduce the back office.

The CNSC will achieve Budget 2012 savings of $1.3 million by fiscal year 2013–14 through efficiency measures and program reductions that align resources to its core mandate, scaling back where the need is reduced, transforming how it works internally, and consolidating and streamlining activities. With these changes, the CNSC will focus on supporting management excellence and accountability across Government.

In 2012–13, the first year of implementation, the CNSC will achieve savings of $0.5 million. Savings will increase and result in ongoing savings of $1.3 million by 2013–14.

There are no financial risks or uncertainties related to these savings.

Approved by:

Michel Cavallin
Chief Financial Officer

Michael Binder
President

FEB 15 2013

Date

Statement of Authorities

(in thousands of dollars)	Fiscal year 2012–2013			Fiscal year 2011–2012		
	Total available for use for the year ending March 31, 2013 *	Used during the quarter ended December 31, 2012	Year to date used at quarter-end	Total available for use for the year ended March 31, 2012 *[1]	Used during the quarter ended December 31, 2011 [2]	Year to date used at quarter-end
Vote 20 – Program expenditures	39,783	5,528	23,119	41,587	8,093	24,536
Budgetary statutory authorities						
Contribution to employee benefit plans	3,841	960	2,881	3,488	872	2,616
Expenditures pursuant to paragraph 29.1(1) of the *Financial Administration Act*	86,250	22,084	55,907	84,097	21,275	56,326
Total budgetary authorities	**129,874**	**28,572**	**81,907**	**129,172**	**30,240**	**83,478**
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	**129,874**	**28,572**	**81,907**	**129,172**	**30,240**	**83,478**

More information is available in the attached table.

* Includes only authorities available for use and granted by Parliament at quarter-end.

[1] Pursuant to section 31.1 of the *Financial Administration Act* and *Order-in-Council P.C. 2011-1297* effective November 15, 2011, $319 thousand is deemed to have been appropriated to Shared Services Canada, which results in a reduction of the same amount in the Canadian Nuclear Safety Commission, Vote 20, Appropriation Act No. 1, 2011–2012.

[2] Excludes an amount of $157 thousand incurred on behalf of Shared Services Canada from the date of transfer of November 15 to December 31, 2011.

Departmental Budgetary Expenditures by Standard Object

(in thousands of dollars)	Fiscal year 2012–2013			Fiscal year 2011–2012		
	Planned expenditures for the year ending March 31, 2013 *	Expended during the quarter ended December 31, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012 * [1]	Expended during the quarter ended December 31, 2011 [2]	Year to date used at quarter-end
Expenditures:						
Personnel	91,693	22,009	65,092	89,910	20,905	64,336
Transportation and communications	6,729	1,375	3,223	7,461	1,952	3,928
Information	1,160	303	663	865	282	569
Professional and special services	15,830	3,137	7,919	16,801	3,779	8,446
Rentals	3,755	699	2,758	2,691	759	1,358
Repair and maintenance	4,033	315	492	4,625	476	1,515
Utilities, materials and supplies	1,378	190	515	880	367	709
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	3,631	215	438	4,070	593	1,332
Transfer payments	1,513	307	714	1,770	805	930
Other subsidies and payments	152	26	92	99	317	350
Loans investment and advances	-	(4)	1	-	5	5
Total gross budgetary expenditures	**129,874**	**28,572**	**81,907**	**129,172**	**30,240**	**83,478**
Total net budgetary expenditures	**129,874**	**28,572**	**81,907**	**129,172**	**30,240**	**83,478**

* Includes authorities available for use and granted by Parliament, and other expenditures anticipated to be granted authority within the fiscal year at quarter-end.

[1] Pursuant to section 31.1 of the *Financial Administration Act* and *Order-in-Council P.C. 2011-1297* effective November 15, 2011, $319 thousand is deemed to have been appropriated to Shared Services Canada, which results in a reduction of the same amount in the Canadian Nuclear Safety Commission, Vote 20, Appropriation Act No. 1, 2011–2012.

[2] Excludes an amount of $157 thousand incurred on behalf of Shared Services Canada from the date of transfer of November 15 to December 31, 2011.